

**THE OFFICE OF REGULATORY STAFF
SETTLEMENT TESTIMONY AND EXHIBITS
OF
M. ELIZABETH FORD**

JULY 31, 2008



DOCKET NO. 2008-173-W

**APPLICATION OF JACABB UTILITIES,
LLC FOR APPROVAL OF AN
ESTABLISHMENT OF WATER RATES AND
CHARGES AND APPROVAL OF
AGREEMENT FOR WATER SERVICES
WITH POINTE WEST, INCORPORATED TO
SERVE HIGHPOINTE DEVELOPMENT IN
OCONEE COUNTY**

SETTLEMENT TESTIMONY OF M. ELIZABETH FORD

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2008-173-W

IN RE: APPLICATION OF JACABB UTILITIES, LLC FOR APPROVAL OF AN

ESTABLISHMENT OF WATER RATES AND CHARGES AND

APPROVAL OF AGREEMENT FOR WATER SERVICES WITH POINTE

WEST, INC. TO SERVE HIGHPOINTE DEVELOPMENT IN OCONEE

COUNTY

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Elizabeth Ford, and my business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina, Office of Regulatory Staff ("ORS") as a Program Specialist for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. In 2003, I graduated from Clemson University with a Bachelors of Arts in Sociology. After graduating from Clemson University, I was employed by the South Carolina Public Service Commission ("Commission") in Consumer Services assisting telecommunications customers. Later, I joined ORS with the transfer of consumer services responsibilities. In September of 2005, I was

**THE OFFICE OF REGULATORY STAFF
1441 Main Street, Suite 300
Columbia, SC 29201**

1 promoted to Lifeline Intake Manager. As the Intake Manager, I assisted and
2 verified low-income individuals for the South Carolina Lifeline and Link-up
3 program. In June 2007, I became the Program Specialist for the Water and
4 Wastewater Division.

5 **Q. CAN YOU DESCRIBE YOUR RESPONSIBILITIES AS THE PROGRAM**
6 **SPECIALIST FOR WATER AND WASTEWATER WITH THE OFFICE**
7 **OF REGULATORY STAFF?**

8 A. Yes. My responsibilities include performing analyses and providing testimony in
9 proceedings before the Commission regarding rate base determinations, rate
10 schedules, general terms and conditions, cost of service and depreciation studies,
11 and compliance with applicable rules and regulations. In addition, my
12 responsibilities include monitoring federal activity to determine impacts on state
13 regulations and policies.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
15 **PROCEEDING?**

16 A. The purpose of my testimony is to set forth the ORS staff findings relative to my
17 review of the application of Jacabb Utilities, LLC ("Jacabb") for establishment of
18 water rates and approval of agreement for water services with Pointe West, Inc. to
19 serve Highpointe Development ("Highpointe") in Oconee County. I will also
20 provide a brief overview of the settlement agreement reached between ORS and
21 Jacabb and explain why this settlement agreement is in the public interest.

22 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
23 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

1 A. Yes, my testimony and the attached exhibits detail ORS's findings and
2 recommendations.

3 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
4 **TESTIMONY AND EXHIBITS.**

5 A. I used information provided by Jacabb in its application and additional
6 information provided by Jacabb during the course of the ORS review.

7 **Q. PLEASE PROVIDE AN OVERVIEW OF THE SERVICE LOCATION**
8 **AND CUSTOMER BASE TO BE PROVIDED WATER SERVICE BY**
9 **JACABB UTILITIES, LLC.**

10 A. By its application, Jacabb is requesting to establish water rates for the same area
11 in which it provides sewer services and to provide water distribution services to
12 333 multi-family residences at Highpointe. The municipal utility, Seneca Light
13 and Water ("SL&W"), is authorized to serve the proposed development and has
14 agreed to serve Highpointe only by means of a master meter. SL&W has
15 authorized Jacabb to provide water distribution services to Highpointe through
16 facilities Jacabb owns and operates.

17 **Q. EXPLAIN THE PROPOSED SERVICE REVENUE INFORMATION**
18 **COMPUTED BY ORS FOR JACABB.**

19 A. Exhibit MEF-1 summarizes Jacabb's proposed service revenues for water
20 distribution service to 333 residential customers for an entire year. ORS used
21 Jacabb's proposed rates as reflected in its application for these calculations.
22 Jacabb will purchase water from SL&W resulting in the pass through water
23 supply charge. Therefore, ORS did not include the pass through water supply

1 charge in the proposed revenue. ORS calculated Jacabb's proposed service
2 revenue for water distribution operations, as adjusted, of \$31,409.

3 **Q. PLEASE EXPLAIN EXHIBIT MEF-2.**

4 A. Exhibit MEF-2 provides a summary of rates and charges as presented in the
5 application.

6 **Q. WHAT AMOUNT DOES THE ORS RECOMMEND THE COMMISSION**
7 **SET FOR THE JACABB UTILITIES, LLC WATER PERFORMANCE**
8 **BOND?**

9 A. Based on the anticipated expenses provided by Jacabb and using the criteria set
10 forth in 26 S.C. Code Regs.103-712.3.1, ORS determined that the face amount of
11 Jacabb's Performance bond for water services as set forth in Exhibit MEF-3
12 should be \$100,000. This amount satisfies the criteria as set forth in S.C. Code
13 Ann. Section 58-5-720 (Supp. 2007).

14 **Q. PLEASE EXPLAIN EXHIBIT MEF-4.**

15 A. Exhibit MEF-4 is an amended tariff which clarifies the rates and charges proposed
16 by Jacabb. ORS does not propose any changes to the rates and charges set forth
17 by the company and provides the amended tariff in efforts to eliminate possible
18 confusion over the tariff proposed by Jacabb.

19 **Q. DID JACABB UTILITIES, LLC MODIFY THE EXPENSES SUBMITTED**
20 **IN THE APPLICATION?**

21 A. Yes. Jacabb modified the expenses reflected in their application during the course
22 of our investigation. Exhibit MEF-5 demonstrates the expenses ORS used for
23 determining the bond amount.

**Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT
AGREEMENT REACHED BY ALL PARTIES OF RECORD.**

A. Following extensive discussions, the parties have each determined that their interests, as well as the interest of the public would be best served by settling all pending issues in this proceeding.

It is the position of ORS and the other parties of record in this docket that the Settlement Agreement, as presented to this Commission, is a fair, reasonable and full resolution to all issues in this proceeding. Further, the Settlement Agreement represents the public interest as it preserves the balance referred to in S.C. Code § 58-4-10:

... 'public interest' means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

All parties agree that the rates and charges set forth are necessary for Jacabb to provide its residential and commercial customers with safe and adequate water service. The Settlement Agreement provides a schedule of proposed rates, terms and conditions that are fair and reasonable to both the customer and Jacabb and will allow Jacabb the opportunity to earn a fair return on its investment. Specifically, the Parties stipulate and agree to total operating revenues of \$31,409. This difference from the amended application is due to the removal of pass

1 through water supply revenues erroneously included in Jacabb's \$216,970
2 revenue request. The Parties agree to the Rate Schedule as specified in the tariff
3 attached as Exhibit MEF-4.

4 The proposed rate schedule would result in the ability to earn total revenue of
5 \$31,409 resulting in an 8.66% operating margin.

6 As stated earlier, it is the position of ORS and Jacabb that this Settlement
7 Agreement is a fair, reasonable and full resolution to all issues in this proceeding
8 and I would request the Commission approve the Settlement Agreement as
9 presented today.

10 **Q. DOES ORS OPPOSE JACABB'S REQUEST FOR APPROVAL OF**
11 **AGREEMENT FOR WATER SERVICES WITH POINTE WEST, INC. TO**
12 **SERVE HIGHPOINTE DEVELOPMENT IN OCONEE COUNTY.**

13 **A.** No. After review of the request, ORS does not oppose Jacabb's request.

14 **Q. WHY DOES JACABB'S REQUEST TO ESTABLISH WATER RATES**
15 **NOT REQUIRE A DETERMINATION OF THE ENTIRE RATE**
16 **STRUCTURE AND OVERALL RATE OF RETURN FOR JACABB?**

17 **A.** Currently, Jacabb is authorized by this Commission under Order No. 2005-617 to
18 provide sewer service. Jacabb does not currently provide water service; therefore,
19 there is no historical operating data available for review.

20 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

21 **A.** Yes it does.

Jacabb Utilities, LLC
2008-173-W
Proposed Revenue

EXHIBIT MEF-1

Jacabb Utilities, LLC Proposed Rates and Revenues

Service Type	Classification	Customer	Gallonage	Service Units	Base Facilities Charge (BFC)	Usage Charge per 1,000
Water Supply	Residential	Single-family Houses, Condo, Mobile Home, Apt	0	0	\$7.86	\$3.00
	Commercial	1" Meter	0	0	\$16.93	\$3.00
		1.5" Meter	0	0	\$31.24	\$3.00
		2" Meter	0	0	\$48.17	\$3.00
		3" Meter	0	0	\$95.33	\$3.00

Service Type	Classification	Customer	Gallonage	Service Units	Base Facilities Charge (BFC)	Estimated Calculated Revenues
Water Distribution*	Residential	Single-family Houses, Condo, Mobile Home, Apt	0	333	\$7.86	\$31,409
	Commercial	1" Meter	0	0	\$16.93	\$0
		1.5" Meter	0	0	\$31.24	\$0
		2" Meter	0	0	\$48.17	\$0
		3" Meter	0	0	\$95.33	\$0
Total Revenue						\$31,409

*Jacabb Utilities will pass thru the cost of water from Seneca Light and Water

Jacabb Utilities, LLC
2008-173-W
Proposed Rates and Charges

EXHIBIT MEF-2

Water Supply	Description	Proposed Rates in Application
Residential Water	Base Facilities Charge for single family house, condo, mobile home, apartment unit	\$7.86
	Commodity Charge	\$3.00
Commercial Water	1" Meter	\$16.93
	1.5" Meter	\$31.24
	2" Meter	\$48.17
	3" Meter	\$95.33
	Commodity Charge	\$3.00

Water Distribution	Description	Proposed Rates in Application
Residential Water	Base Facilities Charge for single family house, condo, mobile home, apartment unit	\$7.86
Commercial Water	1" Meter	\$16.93
	1.5" Meter	\$31.24
	2" Meter	\$48.17
	3" Meter	\$95.33

Fees	Description	Proposed Rates in Application
Nonrecurring Charges	Tap Fee	\$500.00
Customer Account Charge	Account Set-up	\$25.00
	Reconnection Fee	\$35.00

Jacabb Utilites, LLC
2008-173-W
Performance Bond Calculation

EXHIBIT MEF-3

Jacabb Utilities, LLC - Water	
Bond Value Components	Pro Forma Proposed
Operation & Maintenance Expenses	\$27,190
Bond Value Requirement	\$27,190

Current Performance Bond Structure	Bond Value
Personal Financial Statement	\$100,000

JACABB UTILITIES, LLC
PROPOSED SCHEDULE OF RATES AND CHARGES

1. Water Supply

Where water is supplied by the Company and distributed the following rates apply:

A. Residential

- I. Basic Facilities Charge (BFC) per single family house, condominium, mobile home or apartment unit: \$ 7.86 per unit *
- II. Commodity Charge: \$ 3.00 per 1,000 gallons or 134 cft.

* Residential customers with meters of 1" or larger will be charged commercial rate.

B. Commercial

- I. Basic Facilities Charge by meter size:
 - 1" meter \$ 16.93
 - 1.5" meter \$ 31.24
 - 2" meter \$ 48.17
 - 3" meter \$ 95.33
- II. Commodity Charge: \$ 3.00 per 1,000 gallons or 134 cft.

2. Water Distribution

Where water is purchased from a government body or agency or other entity for distribution and resale by the Company, the following rates apply:

A. Residential

- I. Basic Facilities Charge (BFC) per single family house, condominium, mobile home or apartment unit: \$ 7.86 per unit *

* Residential customers with meters of 1" or larger will be charged commercial rate.

B. Commercial

- II. Basic Facilities Charge by meter size:
 - 1" meter \$ 16.93
 - 1.5" meter \$ 31.24
 - 2" meter \$ 48.17
 - 3" meter \$ 95.33

- C. Any charges imposed or charged by any government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. The Utility shall limit the amount of non-account water charged to customers not to exceed 10% of total water purchased from the governmental body or agency, or other entity. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup. In the event that a rate increase of purchased water occurs, the Utility shall provide notice in the form of written documentation to the Commission. The notice shall include written justification from the government body or agency, or other entity providing the water supply documenting the increase amount to be passed-through to affected customers. The Utility will also be required to provide written notice of such an increase to its affected customers.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant or the Home Owners Association in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Nonrecurring Charges

Tap Fees	\$500.00 per SFE**
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* *A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities - 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp 2007), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. For water service to customers not described in R. 61-67, such as irrigation service, the tap fees shall be the same as those for one(1) SFE.

3. Account Set-up and Reconnection Charges

- A. Customer Account Charge - for new customers only.

All areas	\$25.00
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- B. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of thirty-five (\$35.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

6. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2 (Supp. 2007), as may be amended from time to time. Such a customer shall annually have such cross connections inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.8 (Supp. 2007), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customers' next bill.

Jacabb Utilities, LLC
Docket 2008-173-W
Operating Margin Calculation

EXHIBIT MEF - 5

Scope: To calculate company's operating margin based on estimated revenues and expenses set forth in application.

Revenues:

Service Revenues - Purchased Water	\$ 162,577
Base Fee	\$ 31,409
DHEC Safe Drinking Water	\$ 2,397
Misc. Revenue	<u>\$ 1,650</u>
Total Revenues Per Application	\$ 198,033

Less:

Purchased Water	\$ (162,577)
Misc. Revenue	\$ (1,650)
DHEC and Other Fees	<u>\$ (2,397)</u>
	<u>\$ (166,624)</u>
	\$ 31,409

Expenses:

Operations/Meter Reading/Admin	17,280
Maintenance & Repairs	6,941
Laboratory	1,500
DHEC Safe Drinking Water Fees	2,397
Gross Receipts Fees	1,469
Depreciation	1,500
Purchased Water	<u>162,577</u>
Total Expenses Per Application	193,664

Less:

Purchased Water	\$ (162,577)
DHEC and Other Fees	<u>\$ (2,397)</u>
	<u>\$ (164,974)</u>

Total Expenses After Adjustments \$ 28,690

Net Income (Rev - Exp) \$ 2,719

Operating Margin (Net Income/Rev) 8.66%

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2008-173-W

IN RE:


**Application of Jacabb Utilities, LLC for
Approval of an Establishment of Water Rates
and Charges and Approval of Agreement for
Water Services with Pointe West,
Incorporated to Serve Highpointe
Development in Oconee County**

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**CERTIFICATE OF
SERVICE**

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT TESTIMONY OF M. ELIZABETH FORD** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

James S. Eakes, Esquire
Allen & Eakes
Post Office Box 1405
Anderson, SC, 29622



Pamela J. McMullan

July 31, 2008
Columbia, South Carolina